

Committee	<b>CABINET</b>
Date	<b>TUESDAY, 9 JULY 2013</b>
Title	<b>CONFIRMATION OF THE TERMS FOR THE DISPOSAL OF WEST WIGHT MIDDLE SCHOOL</b>
Report of	<b>CABINET MEMBER FOR RESOURCES</b>

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## EXECUTIVE SUMMARY

1. This report seeks members' approval to conclude the sale of the former West Wight Middle school site to Spectrum Premier Homes Ltd on the terms previously agreed in the delegated decision of the deputy leader and Cabinet member for the economy and regulatory services taken in March 2013 (reference 08/13). Such terms if agreed will provide the council with a capital receipt of £825,000 and see the provision of 35 new affordable homes as part of the development of the site, twice the number required by the council's planning policies

## REASONS FOR URGENCY

2. The delegated decision to dispose of the site of the former West Wight Middle School to Spectrum Premier Homes Ltd taken in March 2013 was properly advertised on the council's forward plan and the decision was taken in accordance with due process. It was however a decision of the previous the council
3. As the contracts for the sale have yet to be exchanged there is an opportunity for the new council to assure itself over the terms of the agreed disposal. This does need to be done quickly as the government funding (via the Homes and Communities Agency - HCA) available to Spectrum to finance the acquisition and development of the site must be expended by March 2015. This requires a start on site by no later than the beginning of August 2013 and the sale to be completed immediately.
4. The Cabinet member for resources has agreed that it is a worthwhile exercise for the council to assure itself of the terms of the disposal of the site but given the time pressures on Spectrum there has been no opportunity to publish the intention to make this decision on the forward plan in the normal way. It is also necessary if the sale is to be concluded in the required timescales to disapply the normal call in procedures to this decision
5. The chairman of the Overview and Scrutiny Committee has been consulted on this report and the reasons for the urgent decision which he considers are legitimate and has agreed that call-in can be disapplied. He has also commented that, "he is

very pleased that this decision will be looked at again by the new Cabinet, and understands the subsequent urgency should the original decision be confirmed”.

## BACKGROUND

6. In January 2013 a Cabinet member delegated decision was taken which accepted an approach from Spectrum Premier Homes Ltd to be treated as a special purchaser for the site of the former West Wight Middle School. This was not a decision to sell the property to Spectrum Premier Homes, it simply gave officers the authority to negotiate terms with it to see if a mutually acceptable agreement could be reached for it to acquire the site that could be presented to members for their approval.
7. A final delegated decision was published and agreed in March 2013 which approved the terms which had been reached with Spectrum Premier Homes Ltd for its acquisition of the site. In summary these terms provided that the council would receive a capital receipt of £825,000 for the site and that Spectrum would provide twice the number (35 out of 50 units) of affordable housing units on the site than it was obligated to do by the council's planning policies.
8. Contracts relating to this agreement have been negotiated and finalised but not yet exchanged. There is therefore an opportunity for the council to revisit and confirm that it is happy with this agreement before the sale is completed.
9. The National Planning Policy Framework (2012) defines affordable housing as being, “social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market”. For social rented housing guideline target rents are determined through the national rent regime; in the case of affordable rented the rent is subject to controls that require a rent of no more than 80 per cent of the local market rent. Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria for affordable housing. Spectrum Premier Homes Ltd intends to provide affordable rented properties in its development of the former West Wight Middle School site.
10. Information from the council's Housing Department shows that in the West Wight area (Freshwater / Totland / Yarmouth) the number of people on the housing register wanting to live there is 2000 (of the 7000 applicants currently on the housing register) and the registered providers have no empty properties awaiting letting. There is therefore a demonstrable need for the provision of additional units of affordable housing in the area.
11. Spectrum Housing Group is a not for profit organisation formed in 2007 which owns and manages approximately 18,000 homes across the South of England. Some 7,000 of this number are affordable homes to rent. Locally, Medina Housing Association was amalgamated with Spectrum Housing Group in 2013 as part of a wider amalgamation of registered providers who all now trade under the single banner of Spectrum Housing Group. Spectrum Premier Homes Ltd is a wholly owned subsidiary of the Spectrum Housing Group and undertakes work to develop new projects such as that proposed for this former middle school site.

12. In order to determine a valuation for the possible disposal of the site two independent valuations were obtained from locally based valuers. Using both residual (income from sales less costs of development) and comparison methods for valuing the site one recommended marketing the site for between £350,000 and £800,000 and the second reported a value of £777,000. The offer from Spectrum was in excess of both these valuations.
13. Spectrum has been able to secure funding from the Homes and Communities Agency (HCA) with which to develop the site. This must however be spent in full before March 2015 for the maximum benefit of the funding to be realised. Any monies not able to be spent by this date will be lost to the Island. In this instance, under the terms of the proposed sale, Spectrum would still be required to deliver the same number of affordable units as part of the development but the pace of their delivery would be very much reduced. In order to keep to its development programme it has been necessary for Spectrum to display demolition notices at the site pending the outcome of this decision.
14. The council, as landowner, submitted an outline planning application in 2011 for redevelopment of the site to fifty dwellings. This was granted consent in April 2013 under reference number [TCP/23150/D](#).
15. It has been the policy of the council to reinvest all of the surplus capital receipts from the disposal of surplus school sites (having taken account of the costs of securing them) into improving the school property estate.

## STRATEGIC CONTEXT

16. The disposal of the site was identified in the council's Strategic Asset Management Plan, approved in 2011. The reinvestment of the capital receipt into improving school property and the number of affordable homes being provided will help the council to deliver on its current corporate objectives to raise educational standards and improve housing and homelessness (as expressed in the housing strategy).

## CONSULTATION

17. The member for Totland and has commented that he feels there should have been greater consultation over the future use of the site before the council began negotiations with Spectrum. He is concerned that the additional housing to be provided in the area may create a pressure on local amenities and public services which they will not have the capacity to absorb.
18. The member for Freshwater South has commented that he does not support the disposal of the site on the basis that there has been insufficient consultation with the local community and that there are a number of alternative uses for it have been suggested but not properly considered. These include a home and exhibition for parish archives, art gallery, a tourist information point/cycle hire centre and an educational base for visiting groups. In his view the future use of the site should be considered as part of the Neighbourhood Plan process as it can be a resources for the village to deliver the aspirations it may identify as part of the Plan.

19. Freshwater Parish Council did not raise any significant objections the scheme when its comments were sought for the delegated decision taken in March 2013. No further comments have been requested from it for this paper.

#### FINANCIAL / BUDGET IMPLICATIONS

20. The financial implications of concluding the disposal of the former West Wight Middle School site to Spectrum were set out in detail in the delegated decision paper published in March 2013. They are set out below in summary:-

• Capital receipt to the Isle of Wight Council	£825,000
• Payment to Freshwater Parish Council for ransom strip	£ 45,000
• Estimated revenue cost of 'holding' the vacant site	£ 28,000

21. The council and Spectrum have both incurred costs (especially legal fees) in concluding the negotiations in respect of the sale of the land and in preparing contracts for its sale. These costs will be in the order of £20,000 for both sides and would be to be met by each party if the sale proceeds.

#### LEGAL IMPLICATIONS

22. The council currently holds the property on a freehold basis. Once a sale has been completed the council will have no further interest in the property
23. Section 123 of the Local Government Act 1972 allows the council to dispose of land for 'best consideration'. Best consideration is not limited to the highest achievable price, but can also include the value of other economic or social benefits particularly where these further the council's corporate objectives.

#### EQUALITY AND DIVERSITY

24. The council, as a public body, is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its services, policies/strategies, and decisions with regards to diversity legislation and the nine protected characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership). Any equality and diversity issues that may arise from the closure of the school have been dealt with in the paper in 2011 which approved the closure of the school (ref 22/11).

#### SECTION 17 CRIME AND DISORDER ACT 1998

25. There are no direct crime and disorder implications arising from the recommendations in this paper. The site may however be subject to vandalism, trespass and other similar activities that may lead to its general deterioration if it is not demolished or put to some alternative use in the near future.

#### OPTIONS

26. The following options are offered for members' consideration: -

- (1) To conclude the sale of the site of the former West Wight Middle School to Spectrum Premier Homes Ltd on the agreed terms as set out in the delegated decision taken on 19 March 2013.
- (2) To renegotiate the terms of the proposed sale of the former West Wight Middle School site to Spectrum Premier Homes Ltd to seek greater benefit for the council and the community.
- (3) To end the current disposal process for the former West Wight Middle School site and seek viable proposals from the community for its future use at nil cost to the council.
- (4) To stop the current disposal process for the former West Wight Middle School site and offer it for sale on the open market and without restriction.
- (5) To confirm that the surplus capital receipts from the sale are allocated to funding the school capital planned preventative maintenance and improvement programme.

## RISK MANAGEMENT

27. If the council does not proceed with the disposal of the former West Wight Middle School site to Spectrum there is a risk that it will not be able to attract an alternative proposal that offers an above valuation capital receipt coupled with a greater proportion of affordable housing on the site than is required by current planning policy. If this were to be the case then the council would have less resource to reinvest in improving its school property portfolio and would have to seek alternative mechanisms to grow the stock of affordable homes in the West Wight.
28. Spectrum has secured funding from the HCA in order to deliver affordable housing on this site. If it is not able to proceed with its acquisition and development on the terms previously agreed with and accepted by the council there is a risk that it will not proceed with the development and this possible investment will be lost to the Island along with the capital receipt agreed for the sale.
29. If the council is not able to conclude the sale of the site to Spectrum on the agreed terms there is a risk that Spectrum will take action to recover all of its abortive costs from the council. There is no current budget provision to meet any such costs.
30. Any proposals to take over and manage the site for the benefit of the local community will take some time to develop and be considered by the council. In that time there is a risk that the unused building will begin to deteriorate or be prone to vandalism making it still more difficult to be reopened at some future date. It is unlikely that such an approach would generate a capital receipt to the council which it could reinvest in its school property portfolio and the council would need to continue to meet the 'holding' costs of the vacant premises to allow the time for community based proposals to be developed and considered. The risk that these proposals, if realised, might end up competing with existing facilities in the area such as the West Wight Sports Centre and the Freshwater Memorial Hall cannot be discounted.

31. The two independent valuations of the site would tend to indicate that if it were offered on the open market and without restriction it is unlikely the council would receive as substantial a cash offer as that currently agreed with Spectrum. Any private sector developer would seek to maximise its profit from the site and would therefore only provide the minimum amount of affordable housing as required by the council's planning policies.

## EVALUATION

32. The agreement with Spectrum for its acquisition of the former West Wight Middle School site is beneficial to the council in terms of the level of capital receipt that it will generate for the council and the number of affordable homes to be provided in the West Wight area. The capital receipt is important to sustain a continued investment in the council's education portfolio and the affordable homes will contribute to the urgent need for new affordable homes on the Island and to the delivery of the council's targets in this regard.
33. It is possible there may be an alternative use for the site to be retained and operated for the benefit of the community. Throughout the various stages of the development of this scheme no such use has been identified or suggested. Given the significant costs (c£28,000 pa) to the council of simply holding the vacant premises it is thought unlikely that any viable proposal could be developed for the whole of the site. There may be some small scale uses possible for parts of the building but this would leave the council with a difficult problem of a part used facility where it has no use for the areas that remain in its control, no ability to dispose of them and no identified budget for meeting the costs of 'holding' them while others use smaller more discrete areas of the building. It is arguable that in the West Wight Sports Centre (which receives financial support from the council) and Freshwater Memorial Hall (understood to receive financial support from the local Parish Councils) there are already local facilities better suited for these purposes.
34. The need for more affordable homes in the Freshwater area has been demonstrated in the figures provided by the council's Housing Department. The proposed use of the site by Spectrum will help towards meeting this need and will provide twice the number of affordable units than would be expected of a private sector developer of the site. It is possible that the total number of new units (50) will increase the pressure on the public services in the area but they will also increase the market for local businesses and shops and help maintain their economic viability and availability to the community.

## RECOMMENDATION

35. On the basis of the information contained in this report it is recommended that the council adopts option 1 and 5 : -
- (1) To conclude the sale of the site of the former West Wight Middle School to Spectrum Premier Homes Ltd on the agreed terms as set out in the delegated decision taken on 19 March 2013.

AND

(5) To confirm that the surplus capital receipts from the sale are allocated to funding the school capital planned preventative maintenance and improvement programme.

#### BACKGROUND PAPERS

- “Proposed Sale of the Former West Wight Middle School, Queens Road, Freshwater, Isle of Wight – Approval of Financial Offer”, Decision Under Delegated Powers (March 2013) [[Ref 08/13](#)]

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